

JUNCTION CITY - GEARY COUNTY HEALTH DEPARTMENT

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2009

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS**

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INDEPENDENT AUDITORS' REPORT

To the Joint Board of Health
Junction City – Geary County Health Department
Junction City, Kansas

We have audited the accompanying financial statements of the Junction City – Geary County Health Department as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of the Junction City – Geary County Health Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Department's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the Junction City – Geary County Health Department, as of December 31, 2009, and the receipts it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Joint Board of Health and management of the Junction City – Geary County Health Department, state grant awarding agencies and for filing with the Kansas Department of Administration, Division of Accounts and Reports and should not be used for any other purpose.

Pottberg, Gassman & Hoffman, Chartered

Pottberg Gassman & Hoffman Chartered
Junction City, Kansas
October 13, 2010

MEMBERS:

American Institute of
Certified Public Accountants

Kansas Society of Certified
Public Accountants



JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Canceled Encumbrances</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 928,733	-	1,382,459	1,323,297	987,895	10,751	998,646
Total Reporting Entity	\$ 928,733	-	1,382,459	1,323,297	987,895	10,751	998,646

Composition of Cash:

Cash on Hand	\$ 125
Checking Accounts	168,340
Savings Account	371,652
Certificates of Deposit	458,529
Total Reporting Entity	\$ 998,646

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND

Cash Receipts:

Grants	\$ 657,188
City - County Appropriations	454,139
Client Receipts	121,836
Contract Services	42,049
Health Insurance Receipts	45,600
School Reimbursements	11,125
Medicaid Reimbursements	12,465
Medicare Reimbursements	11,493
Donations	5,520
Rent	6,000
Other Reimbursements and Miscellaneous Receipts	863
Interest	14,181

Total Cash Receipts	<u>1,382,459</u>
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Expenditures:

Advertising	6,342
Airfare	249
Auto and Truck	5,905
Bank Service Charges	714
Building Maintenance	2,742
Capital Expenditures	31,032
Clothing Allowance	372
Computer Hardware / Software	758
Contract Services	24,870
Dues	742
Educational / Promotional	15,590
Equipment Maintenance and Repair	8,775
Equipment Rental	1,069
Insurance - Bonding	305
Insurance - Disability	2,515
Insurance - Health	102,400
Insurance - Life	998
Insurance - Malpractice	598
Janitorial	30,420
Laboratory Fees	4,348
Legal and Accounting	9,116
Lodging	3,287
Medical Supplies	48,705
Mileage	5,693
Miscellaneous	212
Office Supplies	17,655
Subtotal	<u>325,412</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND

Expenditures from page #3	\$ 325,412
Payroll Taxes	56,976
Postage	4,105
Printing	2,076
Professional Services	14,800
Registration and Fees	9,243
Rent	19,652
Resource Material	1,158
Retirement	40,128
Salaries	772,586
Subscriptions	3,670
Subsistence	6,407
Supplies	15,352
Taxi Service	1,602
Telephone	11,668
Utilities	16,845
Vehicle Purchase	10,539
Workers Compensation	11,078
Total Expenditures	<u>1,323,297</u>
Receipts Over (Under) Expenditures	59,162
Unencumbered Cash, January 1	<u>928,733</u>
Unencumbered Cash, December 31	<u><u>\$ 987,895</u></u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1- Summary of Significant Accounting Policies

Financial Reporting Entity

On July 1, 1949 the respective commissions of Junction City and Geary County Kansas created the Joint Board of Health per K.S.A. 65-205. Joint Resolution/Ordinance (Geary County Resolution 6192H and Junction City Ordinance S-2515) specifies the organization, operation, jurisdiction, powers and duties of the Joint Board of Health. The Junction City – Geary County Health Department (the Department) offers preventive, educational, environmental and other general health services to the residents of Junction City and Geary County. The Department is primarily supported through federal and state grants, city and county appropriations and client service revenues. The building in which the Department is housed is owned by Geary County, as well as the major furniture and fixtures.

Basis of Presentation and Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of the fund is increased. Expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Department to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, and cash and unencumbered cash balances. Balance sheets that would have shown noncash assets such as receivables, inventories, prepaid expenses, liabilities such as deferred revenue, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the equipment owned by the Department are not presented in the financial statements. Also, compensated absences are not presented in the financial statements.

Budgetary Information

The Department is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year as required by the Joint Resolution/Ordinance which is used by management to internally monitor expenditures and is presented as supplementary information.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 2 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Organization. The statute requires banks eligible to hold the Organization's funds have a main or branch bank in the county in which the Organization is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Organization has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Organization's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Organization has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Organization may invest in any issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. State statutes require the Organization's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Organization has no designated "peak periods." All deposits were legally secured at December 31, 2009.

At December 31, 2009, the Organization's carrying amount of deposits at Central National Bank was \$539,992. The Bank balance was \$581,209. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. In addition, Certificates of Deposit in the amount of \$208,529 and \$250,000 were held at Kansas State Bank and First National Bank and Trust Company respectively. Of these bank balances, \$708,529 was covered by federal depository insurance and \$1,136,864 was collateralized with securities held by the pledging financial institutions' agents in the Organization's name.

Note 3 – Accounts Payable

Accounts payable at year end consisted of workers compensation insurance owed to Geary County as it is a joint policy, and medical reimbursement plan payments to employees.

Note 4 – Compensated Absences

The Department's policy is to recognize the costs of compensated absences when actually paid.

Vacation leave:

The Department's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service as follows:

JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 4 – Compensated Absences (Continued)

<u>Accrual Rate</u>	<u>Years of Employment</u>	<u>Maximum Accrual</u>
.75 days/month	1 or less	9 days
1.25 days/month	1 to 10	20 days
1.5 days/month	10 to 15	24 days
2.00 days/ month	Over 15	30 days

Upon termination of employment an employee is entitled to be paid for unused accrued vacation leave. The amount of accrued vacation payable at December 31, 2009 was \$35,339.

Sick leave:

Employees with one year or less of service are allowed one half day per month of sick leave. Employees with one to ten years of service are allowed one day of sick leave per month of employment, with ten to fifteen years of service 10 hours per month, with 15 or more years of service two days per month, and accumulates until termination of employment. Upon retirement, an employee is paid for one-third of the accrued leave up to a maximum of 30 days. The amount of accrued sick leave payable for employees eligible for retirement at December 31, 2009 was \$7,239.

Note 5 – Grants

The Department receives grants from the Kansas Department of Health and Environment (KDHE). Federal dollars passed through KDHE from the U.S. Department of Health and Human Services for the year ended December 31, 2009 were \$398,504.

Note 6 – Defined Benefit Pension Plan

The Department participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for employees hired prior to July 1, 2009 and 6% for employees hired on or after July 1, 2009. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The employer rate established for calendar year 2009 was 6.54%. The Department's employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were \$40,128, \$42,227, and \$32,111, respectively, equal to the required contributions for each year.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

Note 7 – Deferred Compensation Plan

The Department offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. The plan is administrated by Nationwide Retirement Solutions. The plan is available to all employees, and permits them to defer a portion of their salary until future years.

Note 8 – Risk Management

The Junction City – Geary County Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has been unable to obtain property and liability insurance at a cost it considered to be economically justifiable. For this reason, the Department through Geary County joined together with other counties in the State to participate in Kansas County Association Multi-Line Pool (KCAMP), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

Geary County pays an annual premium to KCAMP for its property and liability insurance coverage. The agreement to participate provides that KCAMP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the self-insured amount for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KCAMP management. The Department reimburses Geary County for its portion of the workers compensation premium. Geary County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 9 – Litigation

There were no legal actions involving the Junction City – Geary County Health Department as of December 31, 2009.

Note 10 – Compliance

The Department is currently in compliance with the Joint Resolution/Ordinance amended September 19, 2005 concerning the basis of accounting and auditing of grants.

SUPPLEMENTAL INFORMATION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED DECEMBER 31, 2009

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Grants	\$ 657,188	561,978	95,210
City - County Appropriations	454,139	547,363	(93,224)
Client Receipts	121,836	122,865	(1,029)
Contract Services	42,049	38,000	4,049
Health Insurance Receipts	45,600	29,835	15,765
School Reimbursements	11,125	22,500	(11,375)
Medicaid Reimbursements	12,465	21,700	(9,235)
Medicare Reimbursements	11,493	18,000	(6,507)
Donations	5,520	5,302	218
Rent	6,000	6,000	-
Other Reimbursements and Miscellaneous Receipts	863	600,000	(599,137)
Interest	14,181	25,000	(10,819)
Total Cash Receipts	<u>1,382,459</u>	<u>1,998,543</u>	<u>(616,084)</u>
Expenditures:			
Advertising	6,342	3,500	2,842
Airfare	249	1,150	(901)
Auto and Truck	5,905	8,955	(3,050)
Bank Service Charges	714	1,000	(286)
Building Maintenance	2,742	2,118	624
Building Project - Capital Outlay	-	600,000	(600,000)
Capital Expenditures	31,032	16,000	15,032
Clothing Allowance	372	1,000	(628)
Computer Hardware / Software	758	2,000	(1,242)
Contract Services	24,870	1,500	23,370
Dues	742	450	292
Educational / Promotional	15,590	5,912	9,678
Equipment Maintenance and Repair	8,775	8,400	375
Equipment Rental	1,069	1,200	(131)
Insurance - Bonding	305	260	45
Insurance - Disability	2,515	4,560	(2,045)
Insurance - Health	102,400	130,552	(28,152)
Insurance - Life	998	1,300	(302)
Insurance - Malpractice	598	1,197	(599)
Janitorial	30,420	20,450	9,970
Laboratory Fees	4,348	5,400	(1,052)
Legal and Accounting	9,116	9,500	(384)
Lodging	3,287	3,600	(313)
Longevity Bonus	-	4,000	(4,000)
Medical Supplies	48,705	45,225	3,480
Mileage	5,693	8,450	(2,757)
Miscellaneous	212	19,452	(19,240)
Office Supplies	17,655	8,200	9,455
Subtotal	<u>325,412</u>	<u>915,331</u>	<u>(589,919)</u>

The notes to the financial statements are an integral part of this statement.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET FOR THE YEAR ENDED DECEMBER 31, 2009

			Variance Over (Under)
<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	
Expenditures from page #9	\$ 325,412	915,331	(589,919)
Payroll Taxes	56,976	61,101	(4,125)
Postage	4,105	4,647	(542)
Printing	2,076	2,090	(14)
Professional Services	14,800	15,400	(600)
Registration and Fees	9,243	6,550	2,693
Rent	19,652	18,240	1,412
Resource Material	1,158	2,101	(943)
Retirement	40,128	49,290	(9,162)
Salaries	772,586	848,939	(76,353)
Subscriptions	3,670	3,045	625
Subsistence	6,407	2,525	3,882
Supplies	15,352	7,525	7,827
Taxi Service	1,602	3,000	(1,398)
Telephone	11,668	15,545	(3,877)
Utilities	16,845	19,800	(2,955)
Vehicle Purchase	10,539	10,000	539
Workers Compensation	11,078	13,414	(2,336)
Total Expenditures	<u>1,323,297</u>	<u>1,998,543</u>	<u>(675,246)</u>
Receipts Over (Under) Expenditures	<u>\$ 59,162</u>	<u>-</u>	<u>1,291,330</u>

The notes to the financial statements are an integral part of this statement.